



IRS Provides Relief from Health Care Reform W-2 Reporting Requirements for 2011

The IRS just issued Notice 2010-69, which provides that the W-2 reporting requirements imposed by health care reform will not be mandatory for 2011.

Background

Section 6051(a)(14) of the Internal Revenue Code, added by the Patient Protection and Affordable Care Act, requires employers to report the aggregate cost of “applicable employer-sponsored” group health plan coverage on Form W-2 for taxable years beginning on or after January 1, 2011. The law specifies that the aggregate cost is to be determined under rules similar to those for determining the “applicable premium” for purposes of COBRA continuation coverage.

Employers have had many questions and concerns about this new reporting requirement. Currently, the types of coverage that constitute “applicable employer-sponsored coverage” are unclear. For example, the definition of applicable employer-sponsored coverage, as drafted, appears to include self-funded stand-alone dental and vision coverage (which therefore would have to be reported) but to exclude insured, stand-alone coverage. In addition, the Internal Revenue Service (IRS) has not issued any guidance that contains clear rules for determining the “applicable premium” under COBRA. Finally, the reporting obligation for individuals such as retirees, who receive employer-sponsored coverage but may not receive a Form W-2, is not clear.

Notice 2010-69

In apparent recognition of this uncertainty and its impact on the ability of employers to make necessary changes to their payroll systems or procedures, the IRS has issued [Notice 2010-69](#), which states that the reporting requirement set out in Section 6051(a)(14) will not be mandatory for Forms W-2 issued for 2011. This means that an employer will not be treated as failing to meet the new reporting requirement for 2011 and will not be subject to penalties for noncompliance, merely because it does not report the aggregate cost of employer-sponsored coverage on Forms W-2 issued for 2011.

The Notice also states that the IRS anticipates issuing guidance on the new reporting requirement before the end of this year.

Conclusion

The deferral of the reporting requirement is very welcome news for employers. Buck's consultants are available to assist you in adapting your payroll practices and processes and to help you address the myriad of other issues raised by health care reform.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.